

Construction Management Process Update

June 21, 2013

The Revolving Loan Section (RLS) sent a memo to over 100 municipalities, consulting engineers, contractors, subcontractors, and other interested parties (i.e., the Michigan Municipal League, the Michigan Townships Association, the Michigan Association of County Drain Commissioners, and the Michigan Association of Counties, including the Southeast Michigan Council of Governments) asking for input and experiences with the Construction Management (CM) process. The memo was also posted on the Michigan Builders Exchange website and the Department of Environmental Quality (DEQ) Environmental Calendar and included in the RLS's *Loan Arranger* – a newsletter of the State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRF) programs, which has over 1,300 recipients. In total, over 40 responses were received. Approximately 2/3 of the responses supported the discontinuation of the CM process in the SRF and DWRF programs.

Due to the feedback received, DEQ district staff and RLS project managers' experiences, and program requirements, a decision was made to discontinue the use of Construction Management for communities intending to apply to the SRF and DWRF programs for fiscal year (FY) 2015 funding (project plans submitted on or after July 2, 2013). Under this scenario, those projects intending to use the CM process for FY 2014 funding will be allowed to do so.

The decision was based on a multitude of factors including:

1. The CM process has the potential to result in fewer bidders and higher costs to the communities.
2. The CM process reduces the amount of small, minority and women-owned firms that can bid on a project as required by the U.S. Environmental Protection Agency's Disadvantaged Business Enterprise (DBE) program by requiring subcontractors to bond (participation in the DBE program is required in order to receive federal funding).
3. Discontinuing the CM process would align our programs with the U.S. Department of Rural Development program which also funds water projects and does not allow CM.

As we are always striving to improve our programs and provide the best possible experience to the communities utilizing our programs, we thank those who provided input in this important matter.